

Karl Marx
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Part I: Commodities and Money

Chapter Two

Exchange

and

Part of Chapter Three on

Money



Exchange

It is plain that commodities cannot go to market and make exchanges of their own account. We must, therefore, have recourse to their guardians, who are also their owners. Commodities are things, and therefore without power of resistance against man. If they are wanting in docility he can use force; in other words, he can take possession of them. [1] In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another, as persons whose will resides in those object, and must behave in such a way that each does not appropriate the commodity of the other, and part with his own, except by means of an act done by mutual consent. They must therefore, mutually recognise in each other the rights of private proprietors. This juridical relation, which thus expresses itself in a contract, whether such contract be part of a developed legal system or not, is a relation between two wills, and is but the reflex of the real economic relation between the two. It is this economic relation that determines the subject-matter comprised in each such juridical act. [2]

The persons exist for one another merely as representatives of, and, therefore, as owners of, commodities. In the course of our investigation we shall find, in general, that the characters who appear on the economic stage are but the personifications of the economic relations that exist between them.

What chiefly distinguishes a commodity from its owner is the fact that it looks upon every other commodity as but the form of appearance of its own value. A born leveller and a cynic, it is always ready to exchange not only soul, but body, with any and every other commodity, be the same more repulsive than Maritornes herself. The owner makes up for this lack in the commodity of a sense of the concrete, by his own five and more senses. His commodity possesses for himself no immediate use-value. Otherwise, he would not bring it to the market. It has use-value for others; but for himself its only direct use-value is that of being a depository of exchange-value, and, consequently, a means of exchange.[3] Therefore, he makes up his mind to part with it for commodities whose value in use is of service to him. All commodities are non-use-values for their owners, and use-values for their non-

owners. Consequently, they must all change hands. But this change of hands is what constitutes their exchange, and the latter puts them in relation with each other as values, and realises them as values. Hence commodities must be realised as values before they can be realised as use-values.

On the other hand, they must show that they are use-values before they can be realised as values. For the labour spent upon them counts effectively, only in so far as it is spent in a form that is useful for others. Whether that labour is useful for others, and its product consequently capable of satisfying the wants of others, can be proved only by the act of exchange.

Every owner of a commodity wishes to part with it in exchange only for those commodities whose use-value satisfies some want of his. Looked at in this way, exchange is for him simply a private transaction. On the other hand, he desires to realise the value of his commodity, to convert it into any other suitable commodity of equal value, irrespective of whether his own commodity has or has not any use-value for the owner of the other. From this point of view, exchange is for him a social transaction of a general character. But one and the same set of transactions cannot be simultaneously for all owners of commodities both exclusively private and exclusively social and general.

Let us look at the matter a little closer. To the owner of a commodity, every other commodity is, in regard to his own, a particular equivalent, and consequently his own commodity is the universal equivalent for all the others. But since this applies to every owner, there is, in fact, no commodity acting as universal equivalent, and the relative value of commodities possesses no general form under which they can be equated as values and have the magnitude of their values compared. So far, therefore, they do not confront each other as commodities, but only as products or use-values. In their difficulties our commodity owners think like Faust: "Im Anfang war die That." ["In the beginning was the Deed"] They therefore acted and transacted before they thought. Instinctively they conform to the laws imposed by the nature of commodities. They cannot bring their commodities into relation as values, and therefore as commodities, except by comparing them with some one other commodity as the universal equivalent. That we saw from the analysis of a commodity. But a particular commodity cannot become the universal equivalent except by a social act. The social action therefore of all other commodities, sets apart the particular commodity in which they all represent their values. Thereby the bodily form of this commodity becomes the form of the socially recognised universal equivalent. To be the universal equivalent, becomes, by this social process, the specific function of the commodity thus excluded by the rest. Thus it becomes—money. "Illi unum consilium habent et virtutem et potestatem suam

bestiae tradunt. Et ne quis possit emere aut vendere, nisi qui habet characterem aut nomen bestiae aut numerum nominis ejus." (*Apocalypse.*)

Money is a crystal formed of necessity in the course of the exchanges, whereby different products of labour are practically equated to one another and thus by practice converted into commodities. The historical progress and extension of exchanges develops the contrast, latent in commodities, between use-value and value. The necessity for giving an external expression to this contrast for the purposes of commercial intercourse, urges on the establishment of an independent form of value, and finds no rest until it is once for all satisfied by the differentiation of commodities into commodities and money. At the same rate, then, as the conversion of products into commodities is being accomplished, so also is the conversion of one special commodity into money.[4]

The direct barter of products attains the elementary form of the relative expression of value in one respect, but not in another. That form is $x \text{ Commodity A} = y \text{ Commodity B}$. The form of direct barter is $x \text{ use-value A} = y \text{ use-value B}$. [5] The articles A and B in this case are not as yet commodities, but become so only by the act of barter. The first step made by an object of utility towards acquiring exchange-value is when it forms a non-use-value for its owner, and that happens when it forms a superfluous portion of some article required for his immediate wants. Objects in themselves are external to man, and consequently alienable by him. In order that this alienation may be reciprocal, it is only necessary for men, by a tacit understanding, to treat each other as private owners of those alienable objects, and by implication as independent individuals. But such a state of reciprocal independence has no existence in a primitive society based on property in common, whether such a society takes the form of a patriarchal family, an ancient Indian community, or a Peruvian Inca State. The exchange of commodities, therefore, first begins on the boundaries of such communities, at their points of contact with other similar communities, or with members of the latter. So soon, however, as products once become commodities in the external relations of a community, they also, by reaction, become so in its internal intercourse. The proportions in which they are exchangeable are at first quite a matter of chance. What makes them exchangeable is the mutual desire of their owners to alienate them. Meantime the need for foreign objects of utility gradually establishes itself. The constant repetition of exchange makes it a normal social act. In the course of time, therefore, some portion at least of the products of labour must be produced with a special view to exchange. From that moment the distinction becomes firmly established between the utility of an object for the purposes of consumption, and its utility for the purposes of exchange. Its use-value becomes distinguished from its exchange-value. On the other hand, the quantitative proportion in which the articles are

exchangeable, becomes dependent on their production itself. Custom stamps them as values with definite magnitudes.

In the direct barter of products, each commodity is directly a means of exchange to its owner, and to all other persons an equivalent, but that only in so far as it has use-value for them. At this stage, therefore, the articles exchanged do not acquire a value-form independent of their own use-value, or of the individual needs of the exchangers. The necessity for a value-form grows with the increasing number and variety of the commodities exchanged. The problem and the means of solution arise simultaneously. Commodity-owners never equate their own commodities to those of others, and exchange them on a large scale, without different kinds of commodities belonging to different owners being exchangeable for, and equated as values to, one and the same special article. Such last-mentioned article, by becoming the equivalent of various other commodities, acquires at once, though within narrow limits, the character of a general social equivalent. This character comes and goes with the momentary social acts that called it into life. In turns and transiently it attaches itself first to this and then to that commodity. But with the development of exchange it fixes itself firmly and exclusively to particular sorts of commodities, and becomes crystallised by assuming the money-form. The particular kind of commodity to which it sticks is at first a matter of accident. Nevertheless there are two circumstances whose influence is decisive. The money-form attaches itself either to the most important articles of exchange from outside, and these in fact are primitive and natural forms in which the exchange-value of home products finds expression; or else it attaches itself to the object of utility that forms, like cattle, the chief portion of indigenous alienable wealth. Nomad races are the first to develop the money-form, because all their worldly goods consist of moveable objects and are therefore directly alienable; and because their mode of life, by continually bringing them into contact with foreign communities, solicits the exchange of products. Man has often made man himself, under the form of slaves, serve as the primitive material of money, but has never used land for that purpose. Such an idea could only spring up in a bourgeois society already well developed. It dates from the last third of the 17th century, and the first attempt to put it in practice on a national scale was made a century afterwards, during the French bourgeois revolution.

In proportion as exchange bursts its local bonds, and the value of commodities more and more expands into an embodiment of human labour in the abstract, in the same proportion the character of money attaches itself to commodities that are by Nature fitted to perform the social function of a universal equivalent. Those commodities are the precious metals.

The truth of the proposition that, "although gold and silver are not by Nature money, money is by Nature gold and silver,"[6] is shown by the fitness of the physical properties of these metals for the functions of money.[7] Up to this point, however, we are acquainted only with one function of money, namely, to serve as the form of manifestation of the value of commodities, or as the material in which the magnitudes of their values are socially expressed. An adequate form of manifestation of value, a fit embodiment of abstract, undifferentiated, and therefore equal human labour, that material alone can be whose every sample exhibits the same uniform qualities. On the other hand, since the difference between the magnitudes of value is purely quantitative, the money commodity must be susceptible of merely quantitative differences, must therefore be divisible at will, and equally capable of being reunited. Gold and silver possess these properties by Nature.

The use-value of the money-commodity becomes two-fold. In addition to its special use-value as a commodity (gold, for instance, serving to stop teeth, to form the raw material of articles of luxury, &c.), it acquires a formal use-value, originating in its specific social function.

Since all commodities are merely particular equivalents of money, the latter being their universal equivalent, they, with regard to the latter as the universal commodity, play the parts of particular commodities. [8]

We have seen that the money-form is but the reflex, thrown upon one single commodity, of the value relations between all the rest. That money is a commodity [9] is therefore a new discovery only for those who, when they analyse it, start from its fully developed shape. The act of exchange gives to the commodity converted into money, not its value, but its specific value-form. By confounding these two distinct things some writers have been led to hold that the value of gold and silver is imaginary. [10] The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that other mistaken notion, that it is itself a mere symbol. Nevertheless under this error lurked a presentiment that the money-form of an object is not an inseparable part of that object, but is simply the form under which certain social relations manifest themselves. In this sense every commodity is a symbol, since, in so far as it is value, it is only the material envelope of the human labour spent upon it.[11] But if it be declared that the social characters assumed by objects, or the material forms assumed by the social qualities of labour under the régime of a definite mode of production, are mere symbols, it is in the same breath also declared that these characteristics are arbitrary fictions sanctioned by the so-called universal consent of mankind. This suited the mode of explanation in favour during the 18th century. Unable to account for the origin of the puzzling forms

assumed by social relations between man and man, people sought to denude them of their strange appearance by ascribing to them a conventional origin.

It has already been remarked above that the equivalent form of a commodity does not imply the determination of the magnitude of its value. Therefore, although we may be aware that gold is money, and consequently directly exchangeable for all other commodities, yet that fact by no means tells how much 10 lbs., for instance, of gold is worth. Money, like every other commodity, cannot express the magnitude of its value except relatively in other commodities. This value is determined by the labour-time required for its production, and is expressed by the quantity of any other commodity that costs the same amount of labour-time. [12] Such quantitative determination of its relative value takes place at the source of its production by means of barter. When it steps into circulation as money, its value is already given. In the last decades of the 17th century it had already been shown that money is a commodity, but this step marks only the infancy of the analysis. The difficulty lies, not in comprehending that money is a commodity, but in discovering how, why, and by what means a commodity becomes money. [13]

We have already seen, from the most elementary expression of value, x commodity A = y commodity B, that the object in which the magnitude of the value of another object is represented, appears to have the equivalent form independently of this relation, as a social property given to it by Nature. We followed up this false appearance to its final establishment, which is complete so soon as the universal equivalent form becomes identified with the bodily form of a particular commodity, and thus crystallised into the money-form. What appears to happen is, not that gold becomes money, in consequence of all other commodities expressing their values in it, but, on the contrary, that all other commodities universally express their values in gold, because it is money. The intermediate steps of the process vanish in the result and leave no trace behind. Commodities find their own value already completely represented, without any initiative on their part, in another commodity existing in company with them. These objects, gold and silver, just as they come out of the bowels of the earth, are forthwith the direct incarnation of all human labour. Hence the magic of money. In the form of society now under consideration, the behaviour of men in the social process of production is purely atomic. Hence their relations to each other in production assume a material character independent of their control and conscious individual action. These facts manifest themselves at first by products as a general rule taking the form of commodities. We have seen how the progressive development of a society of commodity-producers stamps one privileged commodity with the character of money. Hence the riddle presented by money is but the riddle presented by commodities; only it now strikes us in its most glaring form.

Money

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Section 1: The Measure of Values

Throughout this work, I assume, for the sake of simplicity, gold as the money-commodity.

The first chief function of money is to supply commodities with the material for the expression of their values, or to represent their values as magnitudes of the same denomination, qualitatively equal, and quantitatively comparable. It thus serves as a *universal measure of value*. And only by virtue of this function does gold, the equivalent commodity *par excellence*, become money.

It is not money that renders commodities commensurable. Just the contrary. It is because all commodities, as values, are realised human labour, and therefore commensurable, that their values can be measured by one and the same special

commodity, and the latter be converted into the common measure of their values, *i.e.*, into money. Money as a measure of value, is the phenomenal form that must of necessity be assumed by that measure of value which is immanent in commodities, labour-time. [1].

The expression of the value of a commodity in gold — x commodity A = y money-commodity — is its money-form or price. A single equation, such as 1 ton of iron = 2 ounces of gold, now suffices to express the value of the iron in a socially valid manner. There is no longer any need for this equation to figure as a link in the chain of equations that express the values of all other commodities, because the equivalent commodity, gold, now has the character of money. The general form of relative value has resumed its original shape of simple or isolated relative value. On the other hand, the expanded expression of relative value, the endless series of equations, has now become the form peculiar to the relative value of the money-commodity. The series itself, too, is now given, and has social recognition in the prices of actual commodities. We have only to read the quotations of a price-list backwards, to find the magnitude of the value of money expressed in all sorts of commodities. But money itself has no price. In order to put it on an equal footing with all other commodities in this respect, we should be obliged to equate it to itself as its own equivalent.

The price or money-form of commodities is, like their form of value generally, a form quite distinct from their palpable bodily form; it is, therefore, a purely ideal or mental form. Although invisible, the value of iron, linen and corn has actual existence in these very articles: it is ideally made perceptible by their equality with gold, a relation that, so to say, exists only in their own heads. Their owner must, therefore, lend them his tongue, or hang a ticket on them, before their prices can be communicated to the outside world. [2]. Since the expression of the value of commodities in gold is a merely ideal act, we may use for this purpose imaginary or ideal money. Every trader knows, that he is far from having turned his goods into money, when he has expressed their value in a price or in imaginary money, and that it does not require the least bit of real gold, to estimate in that metal millions of pounds' worth of goods. When, therefore, money serves as a measure of value; it is employed only as imaginary or ideal money. This circumstance has given rise to the wildest theories. [3]. But, although the money that performs the functions of a measure of value is only ideal money, price depends entirely upon the actual substance that is money. The value, or in other words, the quantity of human labour contained in a ton of iron, is expressed in imagination by such a quantity of the money-commodity as contains the same amount of labour as the iron. According, therefore, as the measure of value is gold, silver, or copper, the value of the ton of iron will be expressed by very different prices, or will be represented by very different quantities of those metals respectively.

If, therefore, two different commodities, such as gold and silver, are simultaneously measures of value, all commodities have two prices — one a gold-price, the other a silver-price. These exist quietly side by side, so long as the ratio of The value of silver to that of gold remains unchanged, say, at 15:1. Every change in their ratio disturbs the ratio which exists between the gold-prices and the silver-prices of commodities, and thus proves, by facts, that a double standard of value is inconsistent with the functions of a standard. [4].

Commodities with definite prices present themselves under the form; *a* commodity A = *x* gold; *b* commodity B = *z* gold; *c* commodity C = *y* gold, &c., where *a*, *b*, *c*, represent definite quantities of the commodities A, B, C and *x*, *z*, *y*, definite quantities of gold. The values of these commodities are, therefore, changed in imagination into so many different quantities of gold. Hence, in spite of the confusing variety of the commodities themselves, their values become magnitudes of the same denomination, gold-magnitudes. They are now capable of being compared with each other and measured, and the want becomes technically felt of comparing them with some fixed quantity of gold as a unit measure. This unit, by subsequent division into aliquot parts, becomes itself the standard or scale. Before they become money, gold, silver, and copper already possess such standard measures in their standards of weight, so that, for example, a pound weight, while serving as the unit, is, on the one hand, divisible into ounces, and, on the other, may be combined to make up hundredweights. [5]. It is owing to this that, in all metallic currencies, the names given to the standards of money or of price were originally taken from the pre-existing names of the standards of weight.

As measure of Value, and *as standard of price*, money has two entirely distinct functions to perform. It is the measure of value inasmuch as it is the socially recognised incarnation of human labour; it is the standard of price inasmuch as it is a fixed weight of metal. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. The measure of values measures commodities considered as values; the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another. In order to make gold a standard of price, a certain weight must be fixed upon as the unit. In this case, as in all cases of measuring quantities of the same denomination, the establishment of an unvarying unit of measure is all-important. Hence, the less the unit is subject to variation, so much the better does the standard of price fulfil its office. But only in so far as it is itself a product of labour, and, therefore, potentially variable in value, can gold serve as a measure of value. [6].

It is, in the first place, quite clear that a change in the value of gold does not, in any way, affect its function as a standard of price. No matter how this value varies, the proportions between the values of different quantities of the metal remain constant. However great the fall in its value, 12 ounces of gold still have 12 times the value of 1 ounce; and in prices, the only thing considered is the relation between different quantities of gold. Since, on the other hand, no rise or fall in the value of an ounce of gold can alter its weight, no alteration can take place in the weight of its aliquot parts. Thus gold always renders the same service as an invariable standard of price, however much its value may vary.

In the second place, a change in the value of gold does not interfere with its functions as a measure of value. The change affects all commodities simultaneously, and, therefore, *caeteris paribus*, leaves their relative values *inter se*, unaltered, although those values are now expressed in higher or lower gold-prices.

Just as when we estimate the value of any commodity by a definite quantity of the use-value of some other commodity, so in estimating the value of the former in gold, we assume nothing more than that the production of a given quantity of gold costs, at the given period, a given amount of labour. As regards the fluctuations of prices generally, they are subject to the laws of elementary relative value investigated in a former chapter.

A general rise in the prices of commodities can result only, either from a rise in their values — the value of money remaining constant — or from a fall in the value of money, the values of commodities remaining constant. On the other hand, a general fall in prices can result only, either from a fall in the values of commodities — the value of money remaining constant — or from a rise in the value of money, the values of commodities remaining constant. It therefore by no means follows, that a rise in the value of money necessarily implies a proportional fall in the prices of commodities; or that a fall in the value of money implies a proportional rise in prices. Such change of price holds good only in the case of commodities whose value remains constant. With those, for example, whose value rises, simultaneously with, and proportionally to, that of money, there is no alteration in price. And if their value rise either slower or faster than that of money, the fall or rise in their prices will be determined by the difference between the change in their value and that of money; and so on.

Let us now go back to the consideration of the price-form.

By degrees there arises a discrepancy between the current moneynames of the various weights of the precious metal figuring as money, and the actual weights which those names originally represented. This discrepancy is the result of historical

causes, among which the chief are: — (1) The importation of foreign money into an imperfectly developed community. This happened in Rome in its early days, where gold and silver coins circulated at first as foreign commodities. The names of these foreign coins never coincide with those of the indigenous weights. (2) As wealth increases, the less precious metal is thrust out by the more precious from its place as a measure of value, copper by silver, silver by gold, however much this order of sequence may be in contradiction with poetical chronology. [7]. The word pound, for instance, was the money-name given to an actual pound weight of silver. When gold replaced silver as a measure of value, the same name was applied according to the ratio between the values of silver and gold, to perhaps 1-15th of a pound of gold. The word pound, as a money-name, thus becomes differentiated from the same word as a weight-name. [8]. (3) The debasing of money carried on for centuries by kings and princes to such an extent that, of the original weights of the coins, nothing in fact remained but the names. [9].

These historical causes convert the separation of the money-name from the weight-name into an established habit with the community. Since the standard of money is on the one hand purely conventional, and must on the other hand find general acceptance, it is in the end regulated by law. A given weight of one of the precious metals, an ounce of gold, for instance, becomes officially divided into aliquot parts, with legally bestowed names, such as pound, dollar, &c. These aliquot parts, which thenceforth serve as units of money, are then subdivided into other aliquot parts with legal names, such as shilling, penny, &c. [10]. But, both before and after these divisions are made, a definite weight of metal is the standard of metallic money. The sole alteration consists in the subdivision and denomination.

The prices, or quantities of gold, into which the values of commodities are ideally changed, are therefore now expressed in the names of coins, or in the legally valid names of the subdivisions of the gold standard. Hence, instead of saying: A quarter of wheat is worth an ounce of gold; we say, it is worth £3 17s. 10 1/2d. In this way commodities express by their prices how much they are worth, and money serves as *money of account* whenever it is a question of fixing the value of an article in its money-form. [11].

The name of a thing is something distinct from the qualities of that thing. I know nothing of a man, by knowing that his name is Jacob. In the same way with regard to money, every trace of a value-relation disappears in the names pound, dollar, franc, ducat, &c. The confusion caused by attributing a hidden meaning to these cabalistic signs is all the greater, because these money-names express both the values of commodities, and, at the same time, aliquot parts of the weight of the metal that is the standard of money. [12]. On the other hand, it is absolutely necessary that value, in order that it may be distinguished from the varied bodily

forms of commodities, should assume this material and unmeaning, but, at the same time, purely social form. [13].

Price is the money-name of the labour realised in a commodity. Hence the expression of the equivalence of a commodity with the sum of money constituting its price, is a tautology, [14]. just as in general the expression of the relative value of a commodity is a statement of the equivalence of two commodities. But although price, being the exponent of the magnitude of a commodity's value, is the exponent of its exchange-ratio with money, it does not follow that the exponent of this exchange-ratio is necessarily the exponent of the magnitude of the commodity's value. Suppose two equal quantities of socially necessary labour to be respectively represented by 1 quarter of wheat and £2 (nearly 1/2 oz. of gold), £2 is the expression in money of the magnitude of the value of the quarter of wheat, or is its price. If now circumstances allow of this price being raised to £3, or compel it to be reduced to £1, then although £1 and £3 may be too small or too great properly to express the magnitude of the wheat's value; nevertheless they are its prices, for they are, in the first place, the form under which its value appears, *i.e.*, money; and in the second place, the exponents of its exchange-ratio with money. If the conditions of production, in other words, if the productive power of labour remain constant, the same amount of social labour-time must, both before and after the change in price, be expended in the reproduction of a quarter of wheat. This circumstance depends, neither on the will of the wheat producer, nor on that of the owners of other commodities.

Magnitude of value expresses a relation of social production, it expresses the connexion that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it. As soon as magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange-ratio between a single commodity and another, the money-commodity. But this exchange-ratio may express either the real magnitude of that commodity's value, or the quantity of gold deviating from that value, for which, according to circumstances, it may be parted with. The possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-form itself. This is no defect, but, on the contrary, admirably adapts the price-form to a mode of production whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another.

The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, *i.e.*, between the former and its expression in money, but it may also conceal a qualitative inconsistency, so much so, that, although money is nothing but the value-form of

commodities, price ceases altogether to express value. Objects that in themselves are no commodities, such as conscience, honour, &c., are capable of being offered for sale by their holders, and of thus acquiring, through their price, the form of commodities. Hence an object may have a price without having value. The price in that case is imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may sometimes conceal either a direct or indirect real value-relation; for instance, the price of uncultivated land, which is without value, because no human labour has been incorporated in it.

Price, like relative value in general, expresses the value of a commodity (*e.g.*, a ton of iron), by stating that a given quantity of the equivalent (*e.g.*, an ounce of gold), is directly exchangeable for iron. But it by no means states the converse, that iron is directly exchangeable for gold. In order, therefore, that a commodity may in practice act effectively as exchange-value, it must quit its bodily shape, must transform itself from mere imaginary into real gold, although to the commodity such transubstantiation may be more difficult than to the Hegelian "concept," the transition from "necessity" to "freedom," or to a lobster the casting of his shell, or to Saint Jerome the putting off of the old Adam. Though a commodity may, side by side with its actual form (iron, for instance), take in our imagination the form of gold, yet it cannot at one and the same time actually be both iron and gold. To fix its price, it suffices to equate it to gold in imagination. But to enable it to render to its owner the service of a universal equivalent, it must be actually replaced by gold. If the owner of the iron were to go to the owner of some other commodity offered for exchange, and were to refer him to the price of the iron as proof that it was already money, he would get the same answer as St. Peter gave in heaven to Dante, when the latter recited the creed —

"Assad bene e trascorsa
D'esta moneta gia la lega e'l peso,
Ma dimmi se tu l'hai nella tua borsa."

A price therefore implies both that a commodity is exchangeable for money, and also that it must be so exchanged. On the other hand, gold serves as an ideal measure of value, only because it has already, in the process of exchange, established itself as the money-commodity. Under the ideal measure of values there lurks the hard cash.

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